

Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 ACDA-19 CIAE-00 INR-10 L-03 NSAE-00

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TO SECSTATE WASHDC 4225

INFO AEC GERMANTOWN

UNCLAS SECTION 1 OF 2 IAEA VIENNA 3332

E. O. 11652: N/A

TAGS: AORG, AFIN, IAEA

SUBJECT: IAEA A&B COMMITTEE - FINANCING OF BUDGET

REF: (A) IAEA VIENNA 3887 (B) STATE 70339

1. SUMMARY: A&B COMMITTEE ACCEPTED DG'S STATEMENT THAT SOME AMOUNTS WOULD HAVE TO BE INCLUDED IN BUDGET BY JUNE BOARD TO TAKE ACCOUNT OF EFFECTS OF CURRENCY INSTABILITY ON BUDGET ESTIMATES. POSSIBLE USE OF AUTHORIZATION SIMILAR TO UNGA RES 3196 (XXXVII) RECEIVED VERY DISCOURAGING RECEPTION FROM SECRETARIAT, AND, AD REFERENDUM, FROM SOME OTHER MEMBERS WITH WHOM IT DISCUSSED. MISSION CONTINUES TO FEEL THAT ADDITIONAL APPROPRIATION SECTION, SIMILAR TO DEVICE USED IN 1974, IS ONLY ALTERNATIVE THAT IS GENERALLY SALEABLE, WILL ACCOMPLISH AGREED PURPOSE OF MAINTAINING PROGRAM LEVELS IN FACE OF EXCHANGE RATE FLUCTUATIONS, AND WILL PRECLUDE OTHER LESS RESPONSIBLE ACTIONS WHICH US WOULD PREFER TO AVOID. END SUMMARY.

2. IN OPENING STATEMENT TO A&B COMMITTEE APRIL 8, DG NOTED THAT DRAFT BUDGET ESTIMATES CONTAINED GOV/1656 AND GOV/COM.9/96 WERE COSTED AT EXCHANGE RATE AS 21.00 TO US \$1.00, WHILE ACTUAL RATE AT THIS TIME WAS ABOUT AS 18.50 TO \$1.00. FOR EXAMPLE, IF AVERAGE EXCHANGE RATE WERE ASSUMED TO BE AS 19.00, VICE AS 21.00, ESTIMATES BEFORE COMMITTEE WOULD BE INSUFFICIENT

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BY ABOUT \$2.2-MILLION, HE WAS NOT ASKING COMMITTEE TO TAKE

PECIFIC ACTION AT THIS TIME, BEYOND NOTING THAT PROBLEM EXISTED, BUT WISHED INFORM COMMITTEE THAT HE MIGHT NEED TO REQUEST BUDGET ADJUSTMENT IN JUNE, AND SUGGESTED THAT MEMBERS ALERT GOVERNMENTS TO THIS FACT.

3. MOST OTHERS IN COMMITTEE MADE LITTLE SPECIFIC SUBSTANTIVE REFERENCE TO DG'S STATEMENT; A VERY FEW (PREDICTABLY, IN VIEW THEIR PAST POSITIONS) TOOK EXCEPTION. FOLLOWING MENTIONED MATTER DURING GENERAL DISCUSSION OF BUDGET: FRANCE: OVERALL INCREASE IN BUDGET FOR 1975 SHOULD NOT EXCEED 10 PER CENT, INCLUDING PRICE AND PROGRAM INCREASES AND ANY COMPENSATION FOR EFFECTS OF CURRENCY INSTABILITY; BALANCE SHOULD BE MADE UP BY SAVINGS OR PROGRAM REDUCTIONS. INDIA: NOTED LACK OF PROVISION FOR CONTINGENT FINANCING IN 1975. WHEN DG ASKED BOARD TO ACT ON THIS IN JUNE, HE SHOULD ALSO REQUEST PROVISION FOR PRICE INFLATION, NOT CURRENTLY BUDGETED; AT PRESENT RATE OF 10-11 PERCENT PER YEAR, INFLATION COULD NOT BE EXPECTED TO SUDDENLY CEASE. SOUTH AFRICA: MERELY ASKED FOR AS MUCH ADVANCE NOTICE AS POSSIBLE OF AMOUNT SECRETARIAT FORESAW WOULD BE NEEDED. FRG: CONCURRED IN ONE SENTENCE WITH PROPOSAL FOR CONGINGENT FINANCING APPROPRIATION IN 1975. (FYI: FRG REP ADVISED OUTSIDE MEETING THAT FRG WOULD PREFER DIFFERNT TITLE FOR APPROPRIATION IN 1975 DUE TO TRANSLATION PROBLEM, BUT HAD NO RPT NO CONCEPTUAL PROBLEM WITH THIS MEANS OF COMPENSATING FOR BUDGETARY INSUFFICIENCY DUE TO CURRNRY INSTABILITY. END FYI) USSR: HOPED THAT PROBLEM COULD BE BORNE WITHIN PROPOSED BUDGET LEVELS WITHOUT REQUIREMENT FOR ADDITIONAL ASSESSMENT ON MEMBERS. (COMMENT: NEITHER OTHER EE ON COMMITTEE MENTIONED THIS SUBJECT, AND SOVIET STATEMENT WAS SO MUTED AS TO BE NOTABLE DEPARTURE FROM RATHER STRIDENT STATEMENTS LAST YEAR THAT CURRENCY INSTABILITY WAS PROBLEM OF DEVELOPED MARKET-ECONOMY COUNTRIES AND SHOULD BE SOLVED BY THEM; MISSION READING IS THAT SOVIETS WILL NOT RPT NOT STRONGLY OPPOSE ADDITIONAL APPROPRIATION INSERTED IN DRAFT BUDGET IN JUNE, BUT THAT THEY WOULD PROABLY TAKE MUCH STRONGER LINE OPPOSING ANY SUPPLEMENTARY ASSESSMENT IN 1975. END COMMENT). AUSTRALIA: ESTIMATES WERE PROVISIONALLY ACCEPTABLE, PENDING PROBABLE NEED FOR INSERTION OF ADDITIONAL AMOUNTS DUE TO CURRENCY PROBLEM; ASKED SECRETARIAT TO SUPPLY ASAP UPPER AND LOWER LIMITS WHICH MIGHT BE CONSIDERED FOR FINAL ESTIMATES. CANADA: AGREED WITH ASUTRALIA; BUDGET WOULD REQUIRE UNCLASSIFIED

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FURTHER ADJUSTMENT, AND CANADA HOPED HAVE DG'S SUGGESTED FIGURE WELL BEFORE JUNE BOARD. US CONFINED STATEMENT TO NOTING NEED TO FIND SUITABLE MEANS BY CONSULTATION TO ASSURE MAINTENCE AND IMPLEMENTATION OF PROGRAM AS APPORVED. UK: PROBLEM WOULD HAVE TO BE DEALT WITH IN JUNE; IT SAFER AND MORE SENSIBLE TO INCLUDE COMPENSATION BY ONE-LINE APPROPRIATION THAN TO ATTEMPT RE-COST BUDGET, WHICH WOULD INVOLVE PROHIBITIVE EXPENDITURE OF TIME AND EFFORT FOR NO PARTICLUAR ADDITIONAL

BENEFIT.

4. IN DISCUSSION OF BUDGET PROGRAM BY PROGRAM, UK INTERVENED AGAIN UNDER ITEM Q - CONTINGENT FINANCING, TO NOTE THAT WHILE THERE WAS NOW NO FIGURE UNDER THIS ITEM FOR 1975, THERE WOULD PROBABLY BE A NEED TO PUT A FIGURE UNDER IT IN JUNE.UK, HOWEVER, FELT THAT "CONTINGENT" WAS NOT GOOD TERM, AS THIS WAS NOT UNFORESEEN OR GENERAL USE FUND, BUT WAS RESTRICTED AS TO PURPOSE TO MEET FORESEEABLE AND PREVENTABLE PROBLEM. ACCORDINGLY, WHILE FEELING THAT AMOUNT SHOULD BE APPROPRIATED IN ABOUT SAME MANNER AS LAST YEAR, UK WAS MAINTAINING OPEN MIND ON PROPER TITLE FOR SUCH APPROPRIATION. NO OTHER DEL MADE SUBSTANTIVE COMMENT UNDER THIS ITEM.

5. CHAIRMAN, IN CONSENSUS STATEMENT, SAID COMMITTEE TOOK NOTE OF DG'S STATEMENT THAT HE MIGHT NEED TO REQUEST JUNE BOARD TO INFORM GC THAT CERTAIN SUM WOULD HAV TO BE ADDED TO BUDGET TO TAKE ACCOUNT OF PROBLEM OF CURRENCY INSTABILITY. COMMITTEE HAD, HE FELT, MADE CLEAR ITS WILL THAT PROGRAM FOR 1975 BE CARRIED OUT WITHOUT REQUIREMENT FOR RECOURSE TO SUPPLEMENTAL DURING SECOND HALF OF THAT YEAR. (THIS REFERRED ALSO TO PRE-COMMITTEE SECRETARIAT CONSULTATIONS, IN WHICH VIRTUALLY EVERYONE CONSULTED DISMISSED SUPPLEMENTAL IN IN 1975 OUT OF HAND). NO ONE TOOK ANY SUBSTANTIVE EXCEPTION TO THIS CONSENSUS STATEMENT. THIS CONSENSUS WILL BE EMBODIED IN COMMITTEE REPORT TO BOARD. UK INTERVENED TO SPECIFY THAT DG COME TO BOARD MEMBERS IN MAY, AS EARLY AS POSSIBLE BEFORE JUNE BOARD, WITH HIS PROPOSALS AS TO AMOUNT REQUIRED, AND DG ASSURED HE WOULD DO THIS. USSR AGAIN INTERVENED BRIEFLY TO HOPE THAT MAXIMUM EFFORT WOULD BE MADE TO COMPENSATE FOR PROBLEM THROUGH EXTRA-BUDGETARY RESOURCES OR SAVINGS FROM WITHIN AGENCY WITHOUT EXTRA ASSESSMENTS ON MEMBERS.

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6. COMMENT: INFORMAL SOUNDINGS BY MISSION WITH ALL MEMBERS OF IAEA GENEVA GROUP REPRESENTED ON A&B COMMITTEE, AND SOME OTHERS, HAVE DISCLOSED A) NO RPT NO ESSENTIAL PROBLEMS ON PART OF ANYONE BUT FRENCH WITH COMPENSATING FOR CURRENCY PROBLEM THROUGH SINGLE APPROPRIATION SECTION

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INFO OCT-01 ISO-00 ACDA-19 CIAE-00 INR-10 L-03 NSAE-00

NSC-07 RSC-01 SCI-06 FEA-02 ABF-01 OMB-01 TRSE-00

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FM US MISSION IAEA VIENNA

TO SECSTATE WASHDC 4226

INFO AEC GERMANTOWN

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FOR 197 SIMIAR TO CONTINGENT FINANCING APPROPRIATION FOR 1974; B) NO RPT NO FIRM CONCLUSIONS OR STRONG FEELINGS ON PART OF ANYONE BUT FRG AND UK AS TO WHAT SUCH APPROPRIATION SHOULD BE CALLED -- AS REPORTED ABOVE, FRG AND UK, FOR DIFFERENCT REASONS, BOTH OPPOSE USE OF TERM CONTINGENT AND FRG ALSO OPPOSES USE OF TERM RESERVE, BUT NEITHER HAS OBJECTIONS IN SUBSTANCE. THIS WAS ESSENTIALLY CONFIRMED, IN OUR VIEW, BY ABOVE-REPORTED DISCUSSION WHICH DISCLOSED NO ABSOLUTE OBJECTIONS (AGAIN EXCEPTING FRENCH) AND EVEN SOFTER CONDITIONAL OBJECTIONS (E.G., FROM USSR AND EE'S) THAN WAS CASE LAST YEAR.

7. IN MISSION VIEW, INDIAN SUGGESTION THAT SUCH ADDITIONAL APPROPRIATION SHOULD INCLUDE PROVISION FOR COSTS OF INFLATION AS WELL IS DANGEROUS ONE; MOST GG MEMBERS WOULD OPPOSE IT ON PRINCIPLE, AS IT REPRESENTS ESSENTIALLY THE FULL-BUDGETING CONCEPT WHICH ALL HAVE REJECTED. HOWEVER, SUCH PROPOSAL BY INDIA WOULD HAVE GREAT SUPERFICIAL ATTRACTION FOR MANY LDC'S, WHO NOT FORM LARGE PART OF BOARD, AND COULD COMMAND MAJORITY ON ISSUE IF THEY COULD PERSUADE ANY WESTERN OR SOCIALIST COUNTRY EVEN TO ABSTAIN. ACCORDINGLY, WHILE THERE IS NO SIGN THAT INDIANS ARE ACTIVELY PUSHING THIS IDEA AMONG LDC CAUCUS AS YET, MISSION FEELS THAT DANGER OF ITS HAPPENING IS UNCLASSIFIED

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PRESENT AND ACCOUNT MUST BE TAKEN OF THIS DANGER IN CONSIDERATION OF US POSITION ON THIS ISSUE.

8. MISSION HAS TRIED SUGGESTION PARA 3 REF B ON SECRETARIAT AND, INFORMALLY, ON FEW OTHER MISSIONS. SECRETARIAT FEELING IS THAT CONCEPT IS PROBABLY UNWORKABLE IN IAEA, AND THAT IT HAS ALL DISADVANTAGES OF BOTH CONTINGENT FINANCING AND SUPPLEMENTAL ROUTES WITHOUT COMPENSATING ADVANTAGES OF EITHER. IT WOULD PUT ADDITIONAL APPROPRIATION INTO BUDGET, BUT WOULD STILL REQUIRE SUPPLEMENTAL WHICH WOULD RUN INTO OPPOSITION FROM SOME (E.G., FRENCH AND SOVIETS) AND WHICH WOULD UNDOUBTEDLY GENERATE PRESSURE ON DG FROM SOME WESTERN COUNTRIES WHOSE FINANCE MINISTRIES WRITE THEIR INSTRUCTIONS (E.G. FRG) TO MINIMIZE AMOUNT OF SUPPLEMENTAL ASSESSMENT THROUGH BUDGETARY SAVINGS, REGARDLESS OF EXTENT OF USE OF AUTHORIZATION/APPROPRIATION APPROVED BY BOARD AND UTILIZED BY DG BEFORE SEPTEMBER 1975 (AND REGARDLESS OF PROGRAM CUTS THIS WOULD IMPLY). FEELING OF PERMANENT MISSIONS SOUNDED WAS SUMMED UP BY UK, WHOSE RESREP HAD RESERVATIONS OF BOTH PRINCIPLE AND PRACTICE IN TRYING ANY SUCH NOVEL (FOR IAEA) APPROACH; UN'S FINANCIAL AND BUDGETARY SITUATION WAS CONSIDERABLY DIFFERENT FROM THAT IN IAEA, AND IN ANY EVENT THIS CURRENCY PROBLEM WAS NOT RPT NOT UNFORESEEN AND EXTRAORDINARY EXPENSE, BUT WAS FORESEEN IN ALL BUT PRECISE AMOUNT AND SHOULD BE PREVENTED NOW LEST AGENCY'S PROGRAM BE LOSER. HE ALSO FELT THAT SUCH AUTHORIZATION MUST BE IDENTICAL TO 1974 CONTINGENT FINANCING APPROPRIATION IN ALL BUT NAME, TO AVOID ABUSE OF FUNDS APPROVED FOR A SPECIFIC AND LIMITED PURPOSE, LEADING HIM TO DOUBT WHETHER CHANGING PROCEDURE IN THIS MANNER WOULD WORK. FINALLY, MECHANISM WAS COMPLEX ENOUGH, AND THAT THERE WERE ENOUGH MEMBERS FOR WHOM ANY SUPPLEMENTAL ASSESSMENT WOULD CAUSE PROBLEMS REGARDLESS OF WHETHER FUNDS ALREADY AUTHORIZED OR NOT, THAT SUCH SOLUTION WOULD HAVE LITTLE POLITICAL SALEABILITY ESPECIALLY AMONG RESREPS WHO, REGARDLESS OF WHAT THEIR FINANCE MINISTRIES MIGHT SAY, WOULD NOT RPT NOT LIKE TO BE PUT IN POSITION OF TRIMMING PROGRAMS THEIR TECHNICAL PEOPLE HAVE SUPPORTED TO EXECUTE UN-SYSTEM-WIDE BUDGETARY UNCLASSIFIED

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GOALS OF MINIMIZING ASSESSMENTS.

9. MISSION FEELING IS THUS THAT AUTHORIZATION SIMILAR TO THAT USED BY UN, AS SUGGESTED REF B, IS ALSO NON-STARTER. FURTHER, MISSION FEELING IS THAT COMMITTEE DISCUSSION AND RECORD HAS ALREADY COMMITTED VIRTUALLY ALL MEMBERS TO SOME ADDITION TO BUDGET AND ASSESSMENTS, IN FORM AND AMOUNT YET TO BE RECOMMENDED BY DG AND DETERMINED BY BOARD, DURING JUNE 1974 AND NOT RPT NOT BY ANY MEANS IN SEPTEMBER 1975. FOR THIS REASON, AND SINCE OPTIONS APPEAR TO BE DISAPPEARING TO VANISHING

POINT, MISSION SUGGESTS THAT IT BE AUTHORIZED TO PROPOSE
TO DG THAT HE RECOMMEND ADDITIONAL APPROPRIATION SECTION
FOR 1975, SIMILAR TO CONTINGENT FINANCING APPROPRIATION
IN 1974 IN THAT IT WOULD BE STRICTLY LIMITED IN USE
TO COMPENSATION FOR INSUFFICIENCIES IN OTHER APPROPRIATIONS
DUE TO COSTING OF BUDGET AT EXCHANGE RATE HIGHER THAN
ACTUALLY PREVAILING, AND THAT SUCH USE WOULD BE ONLY
WITH PRIOR APPROVAL OF BOARD. AMOUNT OF APPROPRIATION,
WE SUGGEST, SHOULD BE MINIMUM THAT DG AND SECREARIAT,
IN CONSULTATION WITH BANKS NORMALLY USED BY AGENCY, FEEL
IS PRUDENT. NAME USED FOR SUCH ADDITIONAL APPROPRIATION
SECTION SHOULD RIGIDLY AVOID TERMS CONTINGENT, RESERVE
OR SUPPLEMENTAL, OR ANY VARIANT THEREOF, AND IDEALLY
SHOULD BE AS NEUTRAL AS POSSIBLE AND NOT IN ANY CASE
SINGLE OUT US DOLLAR AS CULPRIT. MISSION FEELING IS THAT
IF DG PRESENTS RECOMMENDATION ALONG THESE LINES
SUFFICIENTLY IN ADVANCE OF JUNE BOARD, THERE IS GOOD
LIKELIHOOD THAT FRENCH PRESSURE FOR MAJOR PROGRAM CUTS AND
INDIAN IDEA OF COMPENSATING ALSO FOR INFLATION CAN BE
SQUELCHED WITHOUT TOO MUCH TROUBLE. IF DG PRESENTS
PROBLEM TO BOARD WITHOUT RECOMMENDATION, WE FEEL IT
CERTAIN THAT THERE WILL BE SOME TYPE OF ADDITION TO
BUDGET IN JUNE, BUT WITH AMOUNT AND MANNER OF SUCH
ADDITION UNPREDICTABLE AT BEST. PORTER

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